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Financing of the United Nations Peacekeeping Force in Cyprus

Financing of the United Nations Observer Mission in Georgia

Financing of the United Nations Mission in Bosnia and Herzegovina

Financing of the United Nations Preventive Deployment Force

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations: financing of the United Nations peacekeeping operations

Financing of the United Nations peacekeeping operations

Report of the Advisory Committee on Administrative and Budgetary Questions

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Abbreviations

MINURCA	United Nations Mission in the Central African Republic
MINURSO	United Nations Mission for the Referendum in Western Sahara
MIPONUH	United Nations Civilian Police Mission in Haiti
MONUA	United Nations Observation Mission in Angola
ONUMOZ	United Nations Operation in Mozambique
UNAMIR	United Nations Assistance Mission for Rwanda
UNAVEM III	United Nations Angola Verification Mission
UNDOF	United Nations Disengagement Observer Force
UNFICYP	United Nations Peacekeeping Force in Cyprus
UNIFIL	United Nations Interim Force in Lebanon
UNIKOM	United Nations Iraq-Kuwait Observation Mission
UNLB	United Nations Logistics Base at Brindisi
UNMIBH	United Nations Mission in Bosnia and Herzegovina
UNMIH	United Nations Mission in Haiti
UNMOT	United Nations Mission of Observers in Tajikistan
UNOMIG	United Nations Observer Mission in Georgia
UNOMIL	United Nations Observer Mission in Liberia
UNOSOM	United Nations Operation in Somalia
UNPF	United Nations Peace Forces
UNPREDEP	United Nations Preventive Deployment Force
UNSMIH	United Nations Support Mission in Haiti
UNTAC	United Nations Transitional Authority in Cambodia
UNTAES	United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium
UNTMIH	United Nations Transition Mission in Haiti

I. Introduction

1. During its winter session (February/March 1998), the Advisory Committee on Administrative and Budgetary Questions considered the financial performance reports for the period from 1 July 1996 to 30 June 1997 and the proposed budgets for the period from 1 July 1998 to 30 June 1999 of the active peacekeeping operations listed below. The Advisory Committee's reports on each of these missions are presented as addenda to the present report, as follows:

(a) The United Nations Preventive Deployment Force (UNPREDEP) (A/52/860/Add.1);

(b) The United Nations Observer Mission in Georgia (UNOMIG) (A/52/860/Add.2);

(c) The United Nations Mission in Bosnia and Herzegovina (UNMIBH) (A/52/860/Add.3);

(d) The United Nations Peacekeeping Force in Cyprus (UNFICYP) (A/52/860/Add.4);

(e) The United Nations Disengagement Observer Force (UNDOF) (A/52/860/Add.5);

(f) The United Nations Interim Force in Lebanon (UNIFIL) (A/52/860/Add.6);

(g) The United Nations Iraq-Kuwait Observation Mission (UNIKOM) (A/52/860/Add.7).

2. The Advisory Committee also considered the financial performance of the United Nations Peace Forces (UNPF) for the period from 1 July 1996 to 30 June 1997 and the final disposition of UNPF assets (A/52/792); the financial performance of the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES), including the liaison offices at Zagreb and Belgrade, for the period from 1 July 1996 to 30 June 1997 (A/52/722); and the revised budget of UNTAES, including the liaison offices at Zagreb and Belgrade, for the maintenance of the mission for the period from 1 July 1997 to 15 January 1998 and its liquidation thereafter, as well as for the maintenance of the Civilian Police Support Group during the period from 16 January to 15 October 1998 and its liquidation thereafter (A/52/801). The reports of the Committee on UNTAES is contained in document A/52/859.

3. In addition, the Advisory Committee has prepared separate reports on liquidation, final expenditures and disposition of assets for closed or consolidated missions as follows:

(a) The United Nations Operation in Mozambique (ONUMOZ) (A/52/853);

(b) The United Nations Transitional Authority in Cambodia (UNTAC) (A/52/819).

The Committee will consider reports on the United Nations Operation in Somalia, the United Nations Observer Mission in Liberia and the United Nations Assistance Mission for Rwanda in the autumn of 1998.

4. The Advisory Committee has also considered the revised budget estimates for the period from 1 July 1997 to 30 June 1998 for a number of active missions as follows:

(a) The United Nations Mission for the Referendum in Western Sahara (MINURSO) (A/52/816);

(b) The United Nations Observer Mission in Angola (MONUA) (A/52/825);

(c) The United Nations Mission of Observers in Tajikistan (UNMOT) (A/52/817).

5. For the reasons explained in its report of 5 March 1998 (A/52/818), in March 1998 the Advisory Committee postponed consideration of the revised budget for the period from 1 July 1997 to 30 June 1998 and the proposed budget for the period from 1 July 1998 to 30 June 1999 for the United Nations Support Mission in Haiti (UNSMIH), the United Nations Transition Mission in Haiti (UNTMIH) and the United Nations Civilian Police Mission in Haiti (MIPONUH). In March 1998 the Committee also postponed consideration of the proposed budgets for the period from 1 July 1998 to 30 June 1999 for MINURSO, UNMOT and MONUA, in view of pending action by the Security Council on those missions. In May 1998 the Committee resumed consideration of those reports as well as the proposed budget of the United Nations Logistics Base at Brindisi for the period from 1 July 1998 to 30 June 1999 upon the receipt of clarification and updated information. The Committee will also take up the financing of the United Nations Mission in the Central African Republic (MINURCA) upon receipt of the report of the Secretary-General.

II. Cycle

6. The Advisory Committee points out that it has considered the financial performance reports and the proposed budgets of the missions mentioned above in accordance with General Assembly resolution 49/233 A of 23 December 1994, in which the Assembly decided that the financial cycle for peacekeeping operations should be from 1 July to 30 June. The Committee recalls that this calendar for the consideration of peacekeeping operations was formulated with the objective of affording the Fifth

Committee and the Advisory Committee the opportunity for in-depth consideration of peacekeeping subjects, without adversely affecting the ability of either body to carry out work related to the regular budget and other matters (A/49/664, para. 32). To that end, the Advisory Committee, in 1995, initiated a winter session in February and March of each year to consider financial performance reports and budgets for peacekeeping operations.

7. The Advisory Committee is concerned that the objective of the new cycle is in danger of being compromised. The Committee experienced serious difficulties in complying with the intended programme of work during its winter/spring session. The reports were frequently submitted to the Committee only days before the scheduled hearings and in the form of advance drafts in English only, which were sometimes modified by the submission of revised copies on the day of the Committee's hearings, thus impairing its work.

8. During its 1998 winter session, the Advisory Committee also had a calendar of activities that included many items other than peacekeeping reports. This reduced the time available for it to conduct in-depth analyses of peacekeeping operations.

9. Aside from the confusion creeping into the calendar for the consideration of the various items before the Advisory Committee and the Fifth Committee and the ongoing problem of timeliness of documentation, the related budgetary process is becoming less disciplined. For example, by April 1998 the Committee had received budget revisions in respect of the 1997-1998 requirements as follows:

(a) Haiti, three revised budgets: 22 October 1997, 20 February 1998 and 9 April 1998;

(b) UNTAES, one revised budget: 23 February 1998;

(c) UNMIBH, two revised budgets: 15 May and 31 July 1997;

(d) UNMOT, one revised budget: 13 February 1998;

(e) MONUA, one revised budget: 20 February 1998;

(f) MINURSO, two revised budgets: 16 December 1997 and 24 February 1998.

10. In a number of cases the reason given by the Secretariat for the submission of the revisions was action by the Security Council. However, it should be recalled that in accordance with the budget cycle recommended by the Advisory Committee in its report of 18 November 1994 (A/49/664) and approved by the General Assembly in its resolution 49/233 A for peacekeeping operations with budgetary and operational requirements not subject to fluctuation (that is, for stable missions), there should be a submission and review of the budgets only once a year, with assessments subject to renewal of the relevant mandate by the Council. For other peacekeeping operations, the budget estimates should be prepared for 12 months but reviewed by the Assembly twice a year, with assessments subject to renewal of the mandate by the Council.

11. To that end, pursuant to the provisions of General Assembly resolution 49/233 A, procedures are in place to cover requirements for new and/or expanded missions approved by the Security Council during the budget period. The Advisory Committee stresses the need to restore the discipline concerning budget formulation review and approval initially contemplated by the Assembly in its resolution 49/233 A. Moreover, in the opinion of the Committee, the revised budget submissions for the "less stable" missions (which should take place in autumn) should be focused more on the identification and justification of changes in requirements rather than on the resubmission of the entire budget. In that connection, the Secretariat should always have the capacity to provide in a timely manner to the Committee such additional information as it may request, either orally or in writing.

III. Coordination

12. Coordination among various departments of the Secretariat needs urgent improvement. For example, when the Advisory Committee was about to take up the Secretary-General's budget estimates for MONUA for the period from 1 July 1998 to 30 June 1999 (A/52/799/Add.1) the Secretary-General was submitting a report of the same date to the Security Council containing proposals, which, if accepted, would change the assumptions of the estimates (S/1998/236). The Committee, which had to postpone its review of the budget estimates, expressed its concern at the waste of resources involved in the preparation and submission of a budget that had already been overtaken by events. The Committee was informed by representatives of the Secretary-General that departments of the Secretariat that deal with political issues relating to missions for which budgets may be prepared are often reluctant to release information to their senior colleagues in the Secretariat until the Secretary-General has approved the related report to be considered by the Council. This explanation is not acceptable to the Committee. The Committee recommends that the heads of the Department of Management, the Department of Political Affairs and the Department of Peacekeeping Operations review this question to ensure

better coordination and timely exchange of information within the Secretariat.

IV. Formulation of financial performance reports and budget proposals

13. A summary of the financial performance for the period ending 30 June 1997 is contained in annex I to the present report. For the peacekeeping operations listed in the annex, expenditures amounted to $1,137,730,600 against appropriations of $1,214,447,200 for the period 1996-1997, leaving an unencumbered balance of $76,716,600. The Committee notes that the unencumbered balance reflects the absorption of obligations totalling $16,625,100 (see paras. 28 and 29 below) that were recorded in the accounts covering the period from 1 July 1996 to 30 June 1997 and that related to the period ending 30 June 1996. In addition, the cost of the United Nations Logistics Base at Brindisi, amounting to $7,374,800, was absorbed. Thus, the total original budget overestimate was $125.4 million.

14. As shown in annex II, total estimated budgetary requirements for the period from 1 July 1998 to 30 June 1999, as proposed by the Secretary-General in the reports for each peacekeeping operation submitted to the Advisory Committee as advance texts in February and March 1998, amount to $745,976,500 gross.

15. The Advisory Committee exchanged views with representatives of the Secretary-General with regard to procedures being followed for the preparation of financial performance reports. The Committee understands that there is a division of accounting tasks between New York and the field, with a large number of transactions directly controlled by Headquarters.

16. Upon request, the Advisory Committee was informed that allotments for peacekeeping operations were issued by the Peacekeeping Financing Division of the Office of Programme Planning, Budget and Accounts to both the Field Administration and Logistics Division of the Department of Peacekeeping Operations (for items for which payments are to be made at Headquarters) and to the missions (for items for which payments are to be made in the field). As a general principle, all payments to Governments are made at Headquarters. Therefore, all amounts approved for troop reimbursement, contingent-owned equipment, death and disability compensation and goods and services provided under letters of assist are allotted to the Field Administration and Logistics Division. Other items that are always allotted to the Division include payroll charges for international staff (salaries, common staff costs and staff assessment), the hiring of aircraft and third-party liability insurance. Expenditures that are incurred exclusively in the field include mission subsistence allowance, payments to contingent personnel for welfare and daily allowance, the payment of clothing and equipment allowance to military observers and civilian police, local staff costs, all recurrent costs relating to premises and accommodation, petrol, oil and lubricants and most items under miscellaneous supplies and services. In some cases, expenditures are incurred both at Headquarters and in the field. Items falling under this category include travel of military personnel and civilian police, other travel costs and most items of major equipment. Funds are allotted for those items to the Field Administration and Logistics Division and/or the mission in accordance with prior expenditure patterns and on the basis of consultations with the Division. Realignment of the amounts allotted to the Division and to the missions for specific items is done throughout the year as the need arises. Finally, allotments relating to the prorated share of amounts approved for the support account for peacekeeping operations and the United Nations Logistics Base at Brindisi as well as budgeted voluntary contributions in kind are always issued to the Office of the Controller.

17. From the above and taking into account additional information provided to the Advisory Committee, it appears that a cumbersome and labourious process is being followed to prepare the performance reports, with information on budget implementation going back and forth between Headquarters and the field for checking and rechecking before accounts are finally closed and the preparation of performance reports begins. The result is often a delay in compiling data for the preparation of performance reports, the late issuance of a number of reports and, frequently, non-availability of supplementary up-to-date financial data, which are to be submitted in accordance with General Assembly resolution 49/233 A; there is also a high incidence of error due to the complexity of the accounting required by the current budget performance preparation process. The Committee believes that the current system needs to be streamlined, with greater authority as well as record-keeping responsibility delegated to the field, with established internal deadlines for reporting. Steps should also be taken, on an urgent basis, to improve electronic data-processing capacity in the field and its links and compatibility with Headquarters.

18. In a related matter, the Advisory Committee recalls that in its first report on the proposed programme budget for the biennium 1998-1999, it drew attention to the difficulties

in preparing financial statements owing in part to the transition to the Integrated Management Information System (IMIS) (see A/52/7, chap. II, part VIII, para. VIII.29). As indicated in the report of the Board of Auditors on United Nations peacekeeping operations for the period ending 30 June 1997,[1] for the mandate periods ending 30 June 1996 there were substantial discrepancies between unencumbered balances declared in the financial performance reports and those given in the financial statements. Annex 3 to the Board's report shows those differences by mission. The Board also noted that, in response to its recommendations, the financial performance reports for the 12-month period ending 30 June 1997 had been reconciled with the financial statements for each peacekeeping operation.[2] The Committee will submit further comments on the matter after its examination of the report.

19. In the view of the Advisory Committee, in addition to the problems associated with the collection of financial performance data, the performance reports focus too much on a statistical compilation of accounting information, which, seen out of context, can sometimes be incomplete or misleading. In the opinion of the Committee, the performance information provided makes it difficult in many cases to analyse the problems encountered by the missions during the implementation of their mandates; for example, unit cost ratios are not always provided in the tables. The reports should become more analytical and explain operational reasons for shortcomings and slippage during implementation of the approved budgets. For example, the impact of a high vacancy rate for international and local posts on the effectiveness of the operations of the missions should be explained. Information should also be provided on the steps being taken to correct the problems identified (such as to intensify recruitment efforts or to reduce administrative delay in the processing of candidates).

20. As shown in annex I to the present report, the review of the performance reports by the Advisory Committee revealed that a number of the initial budgets to which they related were inflated. The average overall overestimation as a percentage of initial budget proposals was 9.8 per cent, with three missions overestimated by over 20 per cent and another four missions overestimated between 10 and 20 per cent. In the opinion of the Committee, while efforts to achieve savings should certainly be encouraged, the presentation of inflated estimates indicates that improvement needs to be made in a number of aspects of budget formulation.

21. The most basic problem appears to relate to the fact that the experience of the previous period is not adequately taken into account when preparing forecasts for the next period. On the basis of testimony from representatives of the Secretary-General, the Advisory Committee has concluded that too often the units and personnel involved in the preparation of budgets do not have the data contained in performance reports for the related missions. Moreover, the most up-to-date financial data on budget implementation for the current period should be available during both the preparation and consideration of budget estimates. In this connection, the Committee points out that during the consideration of requirements for the biennium 1998-1999, the Committee was often not provided with the most up-to-date financial data on 1997-1998 budget implementation as required by the General Assembly in its resolution 49/233 A, which should be provided in writing in a systematic and timely manner. The Committee had previously called for this in its general report on 1997-1998 financing requirements for peacekeeping operations (A/51/892, para. 6).

22. The Advisory Committee believes that standard costs used for budgeting purposes should be tempered with actual performance results. In the opinion of the Committee, there is a need for periodic review of the Standard Ratios and Standard Cost Manual to determine whether the standards are all still relevant on the basis of the experience gained during the implementation of missions' operations.

23. On the basis of the comments and observations in paragraphs 13 to 22 above, the Advisory Committee further recommends that, pending improvement in the computation and use of performance data (including the updating of standard costs), there should be a further reduction of 5 per cent for all peacekeeping operations, with the exception of UNDOF, UNIFIL and UNFICYP. This reduction would be over and above the Committee's recommendations for each of the individual peacekeeping operations in the addenda to the present report.

24. The Advisory Committee points out that the ratio of mission-specific costs to standard costs varies significantly from mission to mission, and adequate explanations have not been provided. The Committee believes that the budget reports should explain deviations from standard costs and reasons for the application of mission-specific costs rather than standard costs. The Committee requests that, in the future, this information be included in all budget reports. The Committee also recommends that the basis of the percentages be explained in each budget submission.

25. The Advisory Committee points out that budget estimates for various objects of expenditure are often prepared without reference to what is required in a related object of expenditure. For example, in UNMIBH the high vacancy rates tend to affect the need and the use of resources

in other budget areas, such as transport, supplies, utilities, communications and premises, in particular when dealing with rental accommodations.

26. With regard to the format of the budget reports, further efforts should be made to standardize annexes and tables. In the UNPREDEP budget report (A/52/805), for example, annex I provides a breakdown of the cost estimates for the period from 1 July 1998 to 30 June 1999. Column 1 of annex I contains, for comparison, the cost estimates for the period from 1 July 1997 to 30 June 1998 as previously proposed by the Secretary-General; in other cases, such as in the UNFICYP budget report (A/52/775/Add.1), annex I shows the apportioned appropriations for the period from 1 July 1997 to 30 June 1998 rather than the proposed estimates. It is the view of the Advisory Committee that for annex I, in addition to the columns showing initial estimates, there should be another column showing the apportionment of the appropriation by the General Assembly.

27. The Advisory Committee was informed that the quality of financial performance and budget reports was being affected by the staffing situation in the Peacekeeping Financing Division of the Office of Programme Planning, Budget and Accounts, as well as the difficulties in recruiting and retaining experienced and qualified personnel, in particular for senior administrative and financial positions in the missions. For the biennium 1996-1997, the Peacekeeping Financing Division lost eight support account posts. In the view of the Committee, this matter should be reconsidered in view of the urgent need to improve the quality of performance and budget reports and the timeliness of their presentation. The Committee points out that short-term savings in staff costs may lead to major and serious deterioration in mission monitoring and control, including spending more in missions than is warranted. Nevertheless, the Committee believes that many of the shortcomings in the reports can be addressed through intensive training of the staff at Headquarters and in the field and through a rationalization of the procedures by which the Field Administration and Logistics Division and the Peacekeeping Financing Division cooperate in the preparation of performance reports and budgets.

V. Unliquidated obligations

28. A number of issues concerning unliquidated obligations arose during the Advisory Committee's consideration of performance reports for the biennium 1996-1997 and proposed budgets for the biennium 1998-1999. One of the most troubling was the disclosure that unliquidated obligations for the period ending 30 June 1996, amounting to $16.7 million, were included in the performance reports for the period from 1 July 1996 to 30 June 1997, as shown in table 1. As can be seen from the table, as at 31 March 1998 the unliquidated obligations had been reduced to $1.6 million. The Committee sought clarification as to the reasons for not reporting those expenditures during the period ending 30 June 1996. The Committee was informed that the situation was due to three factors: delays associated with the conversion of data from the old general accounting system to IMIS; insufficient understanding of the new budget account codes system and confusion due to the change in the budget cycle for peacekeeping operations, with some transactions being entered into the incorrect fiscal year in the budget account codes system. The Committee was assured that the problem was confined to the 1995-1996 financial period, that it involved only unliquidated obligations (all disbursements were properly recorded) and that steps were being taken to prevent its recurrence.

29. During its consideration of each of the peacekeeping operations, the Advisory Committee requested information on the level of unliquidated obligations for the 1996-1997 period as at 30 June 1997 as well as the latest financial data on the status of those obligations. Annex III recapitulates the information received. As can be seen from the annex, several missions still show a significant level of unliquidated obligations. To the extent that the latter remain unliquidated and are eventually cancelled, this will reveal yet another aspect of the problems of over-budgeting referred to in section IV above. In this connection, the Committee recalls the statement it made in its previous report (A/51/892, para. 8) that a high level of unliquidated obligations is indicative of the need to refine budgetary forecasting and estimating techniques. The Committee recommended that the Secretary-General pay greater attention to the procedures for raising obligations so as to ensure their timely review for verification of their continuing validity.

Table 1
Unliquidated obligations for the period ending 30 June 1996 reported in 1997
(Thousands of United States dollars)

Peacekeeping operation	*Reported in the 1996-1997 performance report*	*Unliquidated obligations remaining as at 31 March 1998*
UNAVEM III	8 431.0	563.9
MINURSO	110.6	54.8
UNOMIL	415.4	24.1
UNTAES	2 006.6	—
UNMIBH	169.3	169.3
UNPREDEP	140.1	42.1
UNOMIG	237.9	—
UNMIH	22.0	22.0
UNSMIH	383.0	212.4
UNLB	71.5	—
UNMOT	1.0	—
UNIKOM	537.4	125.0
UNIFIL	2 995.2	289.7
UNDOF	432.4	100.9
UNFICYP	724.7	—
Total	**16 678.1**	**1 604.2**

VI. Military and civilian personnel costs

30. Personnel costs account for a major portion of peacekeeping operation budgets and as such have a significant impact on budget implementation as well as formulation. As shown in the financial statements for the 12-month period ending 30 June 1997 for peacekeeping operations, personnel costs accounted for about 75.7 per cent of total expenditure for the period from 1 July 1996 to 30 June 1997 (43.6 per cent for military observers and contingents, 8.2 per cent for civilian police and 23.9 per cent for civilian personnel). For the period from 1 July 1998 to 30 June 1999, military and civilian personnel costs amount to about 66.9 per cent of the total estimated budgetary requirements (26.9 per cent for military observers and contingents and 40 per cent for civilian police and civilian personnel).

31. In its review of peacekeeping operations, the Advisory Committee noted a number of significant points with regard to emplacement and rotation of military contingents and observers and the increasing use of civilian police. The Committee also noted a number of issues with regard to the management of civilian personnel, both international and local, including the payment of allowances to both international and local staff, salary surveys for local staff, the vacancy situation, the management of transfers and coordination between New York and the field with regard to staff management and record-keeping.

Emplacement and rotation

32. The Advisory Committee observes that for military contingent observers and civilian police, planned deployment does not take fully into account that those personnel are very often not ready for immediate deployment. The Committee was informed that often police had to be identified and trained before deployment. In a few cases police had to be returned. The Committee was provided with statistics for 1997 for the missions affected by early repatriation of police personnel prior to the end of the mission, as indicated in table 2. Furthermore, the Committee was informed that it had been agreed that Member States would absorb the costs for repatriation of police personnel who did not possess the prerequisites for the mission. In an effort to remedy the situation, the

Secretariat has established the Selection Assistance Team, which now travels to various countries to interview the selected monitors. This will ensure that the monitors who are deployed meet the established selection criteria for service with United Nations missions. There are now police personnel serving in eight peacekeeping missions.

Table 2
Responsibility for repatriation

Missions	*Government*	*United Nations*	*Total*
UNMIBH	76	57	133
MONUA	9	10	19
UNTAES/Civilian Police Support Group	4	13	17

33. The Advisory Committee notes that in some cases (such as UNPREDEP), a troop-contributing Government has not claimed reimbursement for troop rotation. The Committee has noted in the past many instances of troop-contributing countries not claiming reimbursement for a number of items, such as certain allowances and troop rotation. The Committee requests that the Secretariat ascertain whether or not a claim will be submitted with the countries concerned and take the results into account when preparing future budgets of the missions.

Vacancy rates

34. Annex IV to the present report gives the vacancy rates for civilian personnel during the period ending 30 June 1997 by mission as compared with rates forecast in the initial budget. The actual vacancy rates shown in the performance reports were often much higher than those assumed in the original budget submissions. This phenomenon is due to a number of factors. One is that in projecting staff requirements and availability, due account is not taken of performance data; sometimes this is because the data are not available or are in some cases erroneous. However, even if accurate data are available, the process of performance and budget preparation is not synchronized (see para. 21 above).

35. A portion of underexpenditure for personnel is attributable to problems in administration and record-keeping; as such it is not really underexpenditure, since eventually accounting records will have to be reconciled. For example, the Advisory Committee understands that in the case of UNMIBH, problems with the recording of expenditures in the corresponding accounts may explain the large underexpenditure in the civilian personnel component. Personnel charges of former UNPF staff who were transferred to UNMIBH continued to be charged to UNPF, and approximately $4 million of overexpenditures in the accounts of UNPF relate to expenditures attributable, in addition to UNMIBH, to two other missions (namely, UNTAES and UNPREDEP).

36. Another reason for higher than anticipated vacancy rates is the cumbersome recruitment procedure, which continues to affect the ability to get experienced and qualified staff from the United Nations and specialized agencies. Recent efforts to streamline recruitment procedures should be intensified.

Salary surveys

37. The Advisory Committee is aware that in some missions local salary surveys are carried out every year, while in others surveys are done less frequently. The Committee is concerned that the application of the current survey methodology is leading to inflated salaries in some locations as compared to what is paid in the local labour market. For example, in UNIFIL the local salary survey led to an increase of 61.8 per cent in salaries because Beirut was used as the basis for the collection of data even though all local mission personnel are recruited from the area of operation and virtually none from Beirut. The Committee requests that the Secretariat review the application of the methodology and procedures used in those surveys so that such anomalies will be avoided; in particular, the review should address the issue of the criteria to be used to determine the place and frequency for collection of data for the survey if there is no comparator in a particular location.

Review of international General Service posts

38. A review had been conducted in each peacekeeping mission of General Service posts with a view to determining which posts, if any, could be converted to locally recruited posts. The results of that review were included in the section on staffing requirements in each financing report and are summarized in table 3. The Advisory Committee questions the rather limited results of the review. It believes that in the absence of additional justification, another effort should be made to identify which tasks in peacekeeping operations can be performed by local staff, with the realization of attendant

savings, especially in long-established missions with experienced local staff.

Table 3
Number of international General Service posts converted to local posts

Peacekeeping operation	*Number of posts*
UNFICYP	—
UNDOF	—
UNIFIL	—
MIPONUH	—
MONUA	—
UNIKOM	—
UNOMIG	10
UNMOT	3
MINURSO	—
Civilian Police Support Group	—
UNMIBH	10
UNPREDEP	—

Reclassifications

39. The Advisory Committee notes that in some missions, such as UNOMIG, several post reclassifications are included in the budget proposal (A/52/787, annex V). The Committee recognizes that the Secretary-General has the authority to reclassify posts up to the P-5 level, as initially recommended by the Committee and endorsed by the General Assembly in its resolution 48/228 C of 29 July 1994. However, the Committee believes that there is still a need to demonstrate changes in responsibilities and job content; this has not been done in a number of cases, especially as concerns the proposals for UNOMIG.

VII. Contingent-owned equipment arrangements

40. By its resolution 50/222 of 11 April 1996, the General Assembly approved new arrangements for contingent-owned equipment effective 1 July 1996. The arrangements allow troop-contributing countries to select options known as wet or dry lease.

41. As will be recalled, "wet lease" refers to a contingent-owned reimbursement system where the troop-contributing country provides and assumes responsibility for maintaining and supporting major items of equipment that have been deployed, together with associated minor equipment. The troop-contributing country is entitled to reimbursement for providing this support. "Dry lease" refers to a contingent-owned equipment reimbursement system whereby the troop-contributing country provides equipment to a peacekeeping mission and the United Nations assumes responsibility for maintaining it. The troop-contributing country is reimbursed for the non-availability of such military resources for its national interest.

42. The new contingent-owned equipment arrangements have been introduced in six missions: UNTAES, UNPREDEP, MONUA, UNOMIG, MIPONUH and UNSMIH. Memorandums of understanding have been signed with a number of troop-contributing countries for UNTAES (6), UNPROFOR (1), UNSMIH (1) and MIPONUH (2). The new contingent-owned equipment arrangements have also been partially introduced in six other missions: UNDOF, UNFICYP, MINURSO, UNPF, UNAVEM III and UNAMIR. A memorandum of understanding has been signed with one troop-contributing country for UNDOF. Memorandums of understanding have yet to be formally signed with a number of other troop-contributing countries participating in the above-mentioned missions. The new contingent-owned equipment arrangements will be introduced with respect to the newly established United Nations Mission in the Central African Republic (MINURCA). Both UNOSOM and ONUMOZ were operationally completed at the time that the General Assembly adopted the new arrangements. Nevertheless, one Government has submitted claims for reimbursement for contingent-owned equipment provided to both UNOSOM and ONUMOZ. Those claims have been reviewed but have not yet been certified for payment. There were no other requests for reimbursement under the new arrangements for contingent-owned equipment for those two missions.

43. The Advisory Committee believes that the capacity of the United Nations to implement the new contingent-owned equipment arrangements is inadequate. In the case of UNTAES and UNPREDEP there was no evidence that savings were realized for either the troop-contributing countries or the United Nations. It appears that in the case of these two missions the wet-lease arrangements were applied to troops already in theatre (that is, retroactively). Since some of the services now covered under wet leases were contracted out by the missions (such as catering, laundry, cleaning and gardening), the Committee points out that it is probable that the United Nations paid twice for at

least some of the items covered under wet-lease arrangements. Furthermore, as the equipment was already in theatre, there is a strong possibility that the wet-lease arrangement may involve reimbursement by the United Nations for equipment that it would not otherwise have requested or needed.

44. The Advisory Committee especially questions whether the new procedures for reimbursement of contingent-owned equipment should apply to missions whose mandates had terminated before the procedure came into force. The Committee recalls General Assembly resolution 51/218 E of 17 June 1997, section I, paragraph 4, in which the Assembly reiterated that for missions activated prior to 1 July 1996, countries had the option to accept reimbursement under either the new or the old reimbursement methodology. However, in the case of ONUMOZ, for example, the request for reimbursement was for equipment that had already been removed from the theatre of operation, thus making it impossible to apply the various procedures and safeguards in place to ensure that reimbursement for contingent-owned equipment is accurate and fair to both the troop-contributing country and the United Nations. In its related report, the Committee stated its opinion that the new contingent-owned equipment procedures should not apply in the case of ONUMOZ.

45. Implementation of General Assembly resolutions 50/222 and 51/218 E is also giving rise to difficulties for retroactive application in ongoing missions. This has been recognized by the Phase IV Working Group on Reimbursement of Contingent-owned Equipment in its report to the Fifth Committee (A/C.5/52/39, para. 35). The Advisory Committee will issue its comments on this report, together with its recommendations on the related report of the Secretary-General, which had not yet been submitted as at the date of the present report. Nevertheless, it would appear that retroactive application in ongoing missions raises the risk that the United Nations might reimburse for items for which it had already paid. The Committee is aware that in some cases, such as payment for spare parts, double payment would have been avoided since the cost of spare parts for which Member States had previously been reimbursed under the letter-of-assist arrangement would have been applied with a view to reducing the estimated amount owed to those Member States under the new wet-lease and self-sustainment arrangement. However, the Committee points out that the problem of double payment still remains with respect to other services provided by the United Nations to contingents that may overlap with services of self-sustainment and that were not covered by letters of assist.

46. In the opinion of the Advisory Committee it is important, therefore, that the Secretary-General clarify and confirm in the future that reimbursement under the new wet-lease arrangements with troop-contributing Governments does not include provisions for support and other services already provided by the United Nations to military personnel. Furthermore, as reimbursement on a wet-lease basis and for self-sustainment has resulted in reduced requirements on other budget lines (namely, rental of premises; spare parts, repairs and maintenance of motor vehicles; communications spare parts; other equipment spare parts; commercial communications; medical treatment and services; medical supplies; quartermaster and general stores; and welfare), the Committee recommends that this information, together with an indication of the related savings, be included in budget performance reports on all peacekeeping operations where the new wet-lease arrangements are put in place.

47. The Advisory Committee is concerned about what appears to be deviations from procedure for new contingent-owned equipment arrangements. For example, in the case of UNPREDEP no one from Headquarters had visited the mission to discuss with the battalions the new contingent-owned equipment arrangements; Headquarters staff were not substantively involved in the negotiations on the new contingent-owned equipment arrangements conducted by the mission – negotiations with the troop-contributing countries were in fact conducted by three gratis personnel rather than by United Nations staff members responsible to the Secretary-General; and no inspections of the contingent-owned equipment called for under the new arrangements had been carried out by the time of the hearings of the Committee. The Committee recommends, therefore, that the Secretary-General take all necessary measures to review adequately projected requirements for reimbursement of contingent-owned equipment under the new wet-lease arrangements. The Committee has also requested an immediate special audit by the Board of Auditors on this issue, which would address arrangements in place for the application of the new contingent-owned equipment procedures.

48. The Advisory Committee recalls that under the new contingent-owned equipment arrangements, reimbursements vary depending on various factors at the mission, such as terrain, climatic conditions, perception of threat and environmental impact. It notes that in budgetary proposals that contain contingent-owned equipment reimbursements as per the new arrangement, it is not indicated which of the factors are being taken into account and the impact that these have on the allocations for contingent-owned equipment. It

recommends that future budget proposals clarify those aspects.

VIII. Procurement, inventory management and disposal

Procurement

49. The efficiency of the procurement process is still of great concern to the Advisory Committee. The Committee notes numerous procurement delays for administrative reasons that are not explained in the reports. For example, in UNIKOM large underexpenditures were reported under purchase of vehicles; spare parts, repairs and maintenance; and observation equipment and as a result of the cancellation of planned activities or delays in the installation of planned communication links such as the Kheitan-UNIKOM headquarters satellite link. The Committee was provided with information on the threshold levels for delegated authority to field missions for procurement, as follows:

(a) Without bidding: up to 20,000;

(b) Without reference to Local Committee on Contracts: up to 50,000;

(c) Approval required by Local Committee on Contracts: 50,000 to 200,000;

(d) Approval required by Headquarters Committee on Contracts: over 200,000.

As has been stated before, the Committee believes it to be of primary importance to ensure the availability of qualified staff in the field. In the opinion of the Committee, the Secretariat should examine whether to delegate an increased level of authority to the missions, taking into account the experience with the current delegated authority.

50. With respect to UNPREDEP and UNAVEM III, the Board of Auditors observed in its report on the accounts of the United Nations peacekeeping operations for the period ending 30 June 1997 that expenditures amounting to $320,000 could have been avoided with adequate mission and procurement planning. The Board also observed, on the subject of procurement for peacekeeping operations, that purchases valued in excess of $188 million were considered on an *ex post facto* or partially *ex post facto* basis, and contracts valued at $72.4 million were extended without bidding. In the Board's view, procurement delays arose as a result of weak procurement planning at the global level. In the Board's opinion, with peacekeeping missions now having the same financial period and budget cycle and with fewer missions being established, significant obstacles that in the past had hampered effective procurement planning have been removed.[3] The Committee will revert to these issues during its examination of the report of the Board.

Inventory

51. The Advisory Committee is of the view that inventory management and control remains weak. Large underexpenditures were reported in several missions for items such as vehicles, spare parts and various types of equipment, mainly as a result of overestimating the requirements for those items, without taking into account the available stock and a reasonable forecast of actual needs. This, in turn, has led in some cases to overstocking of items. For example, the Board of Auditors observed that UNPREDEP held a stock of food-handling gloves to last 640 years based on an average monthly issue of 70 pairs.[4] In the view of the Committee, lack of adequate inventory management systems creates serious difficulties in asset management and control and, consequently, the efficient liquidation of assets once mission mandates are terminated. The Board observed, for example, that there were significant gaps in the recording of non-expendable property transferred from ONUMOZ to other missions. Some $24.9 million of non-expendable property has been recorded as transferred to other missions, but only $21.2 million had been acknowledged as received, with a balance of $3.7 million not yet acknowledged by those missions.[5] The Committee urges the Secretariat to speed up the installation of the new field assets inventory and control systems.

52. The Advisory Committee notes the view of the Board of Auditors that the extent of losses recommended for write-off in several missions could have been avoided with tighter inventory management. For example, the Board observed that as at October 1997, UNPF had either written off under its authority or recommended write-off to Headquarters of a total of 16,096 assets valued at $68 million. The Board noted that while this amount included cases of losses due to accidental damage and wear and tear, it also included $11.6 million of stolen items, $5 million of items reported as lost and a further $10.2 million of items that could not be located by the account holders.[6]

Disposal of assets

53. The Advisory Committee notes that peacekeeping operations continue to have serious management weaknesses

in disposing of non-expendable property. On the subject of disposal of assets in active missions, the Board of Auditors indicated that since October 1991, UNFICYP had taken no action to dispose of non-expendable property with a book value of $768,643, despite the positive recommendation by Headquarters. The Board noted that lack of action on disposal resulted in an additional storage cost in respect of such unserviceable items. On the other hand, in the case of UNSMIH, the Board noted lack of compliance with the established procedures for the disposal of non-expendable property. The Mission had donated to the local authorities 193 vehicles without the prior authorization of Headquarters.[7] For missions under liquidation, the Board also noted serious shortcomings in the procedures followed for disposal of assets. In the case of UNPF, for example, the Board considered as unsatisfactory the auction procedure followed.[8] The Committee requests that the Secretary-General take the necessary measures to increase the effectiveness of auctioning United Nations assets in peacekeeping operations and provide information on reasons for the write-offs and losses of property in future reports on the final disposition of assets of peacekeeping operations. The Committee will revert to this subject and comment further during its examination of the Board's report. The Committee will also revisit the subject when it considers the reports of the Secretary-General on UNOMIL, UNAMIR and UNOSOM in the autumn of 1998.

IX. Voluntary contributions

54. In its report on the financing of UNMOT (A/51/850), the Advisory Committee stated its belief that voluntary contributions could be better articulated within proposed budgets and performance reports, bearing in mind the principle of full budgeting (para.12). The Committee stated its intention of addressing this issue in a later report. In part VII of its resolution 51/218 E, the General Assembly requested the Committee to prepare a report on the administration of voluntary contributions to peacekeeping operations.

55. The Advisory Committee recalls that in connection with the financing of the United Nations Iran-Iraq Military Observer Group, the Secretary-General submitted a detailed comprehensive report on the treatment of voluntary contributions of supplies and services to the General Assembly at its forty-fourth session (A/44/624); the observations of the Advisory Committee were contained in its report of 14 November 1989 (A/44/725, paras. 32-41). Relevant portions of those reports are reproduced in annex V to the present report. In its resolution 44/192 A of 21 December 1989, paragraph 5, the General Assembly took note of the observations and proposals of the Secretary-General on the technical guidelines relating to the treatment and valuation of voluntary contributions in the form of supplies and services, and endorsed the observations of the Advisory Committee.

56. Under the circumstances, the Advisory Committee believes that there is not much that could be added by way of policy guidelines on the subject of administration of voluntary contributions to peacekeeping operations. What remains is the effective application of what has been approved and its reflection in the various performance reports and budgets issued by the Secretary-General. As stated above, the Committee has called for a more transparent treatment of voluntary contributions, consistent with the principle of full budgeting, and it intends to follow up on improvements in this area when it examines further reports of the Secretary-General on peacekeeping operations. In that connection, the Committee wishes to emphasize that assets given under a status-of-mission agreement should not be treated as voluntary contributions, but they should be disclosed under the status-of-forces agreement section of the report on the relevant peacekeeping operation.

X. Other matters

Third-party claims

57. As regards third-party claims and arbitration costs, the Advisory Committee has expressed concern at the increasing frequency of large claim submissions. With respect to claims under arbitration, the Committee has requested and received information on the matter. The Committee notes that in some instances the amounts of the claims made against the United Nations have been scaled down, and settlements are lower than the original claims. The Committee recalls that the issue was the subject of a detailed report of the Secretary-General (A/51/903) submitted on the Committee's recommendation. The proposal is still before the General Assembly. The Committee's views on the subject are contained in its report of 1 October 1997 (A/52/410). The Board of Auditors noted that the value of pending arbitration claims against peacekeeping operations, amounting to $304.4 million, had not been disclosed in the financial statements. As those claims constitute contingent liabilities, in the Board's opinion they should be disclosed in the notes to the statements.[9] In this connection, the Committee was informed by the Secretariat that it is quite difficult to ascertain the

exact amount of contingent liabilities. While claims may be filed by a number of institutions against the peacekeeping missions, the final settlements are covered by obligations already reported as expenditures in the financial statements. In most cases, the Committee was informed, claims filed reflect significantly higher amounts than actual settlements, which are normally covered within the expenditures that are already reported. The Committee will comment further on the matter in its report on the report of the Board of Auditors.

Cooperation with agencies

58. On the subject of cooperation and coordination between the United Nations and other agencies in the same operational area, the Advisory Committee points out that the issues are not always explained clearly. In the case of UNMIBH, the Committee understands that the Mission provides support services to other entities of the United Nations system in the mission area and that costs are recovered whenever possible. In the case of UNOMIG, however, the Committee was informed that the agencies had their own communication infrastructure. The Committee believes that there is considerable room for improvement in sharing common administrative and management services such as procurement, air support management and travel services. The Committee believes that attempts should be made to recover all identifiable costs, but care should be taken not to establish elaborate cost-measurement mechanisms.

Computer technology and information systems

59. The Advisory Committee points out that despite the considerable resources spent on data-processing equipment and information technologies, at the time of the hearings up-to-date financial data had not been provided to the Committee for most peacekeeping operations, as required by the General Assembly in its resolution 49/233 A.

Vehicle insurance

60. The Advisory Committee notes a considerable rate increase for worldwide third-party liability coverage of vehicles in several missions (for example, UNIKOM and UNIFIL), while in others the resources budgeted appear to be sufficient (for example, UNDOF). The Committee requests that measures be taken to control the sharp increases in mission vehicle insurance, both by the adoption of stricter safety and security measures in the missions and through negotiation of lower rates with insurance providers. The level of premiums should be explained in future budget reports, together with information on claims.

Travel

61. The Advisory Committee recognizes that travel is an essential ingredient in the effective management of the peacekeeping process. Nevertheless, the Committee has noted in too many instances unplanned travel not related directly to the political or peacekeeping process, but related more to administration, monitoring, procurement and training. The Committee requests that more planning be introduced into those aspects of travel. Travel between Headquarters and the field could be minimized, in the opinion of the Committee, through the use of such facilities as videoconferencing, fax and e-mail.

Air operations

62. The Advisory Committee notes that in the UNIFIL budget, the provision for emplacement, rotation and repatriation of troops takes into account the actual expenditures incurred during the 1996-1997 financial period, particularly the rates previously obtained for the charter of aircraft. The Committee welcomes this approach and notes that for all missions, the experience in the use of charter services, rather than individual entitlements, should be the basis for budgeting. The Committee recommends that in the future, this approach be followed in estimating requirements whenever applicable.

63. The Advisory Committee has been informed that the Office of Internal Oversight Services has completed an investigation on provision of aircraft services and that a report on that subject will be submitted pursuant to General Assembly resolution 51/231 of 13 June 1997. The Committee understands that, in order for the United Nations to improve the aviation services received, the Office has recommended that measures be taken to strengthen the Organization's capability to assess each vendor's viability and suitability, including safety records and compliance with international safety regulations. The Committee has been informed that to achieve satisfaction as to the suitability of vendors, it would be necessary for United Nations aviation experts to visit each operator and review the physical

operations of the company. Moreover, to bolster further the Organization's monitoring capacity, each peacekeeping mission that has aviation activity, because of either troop rotations or long-term charter work, should have an air safety officer and an air operation officer who would be responsible for the oversight of all matters pertaining to aviation, including the monitoring of vendors under contract to the United Nations. The Committee understands that currently there are 52 long-term chartered aircraft under the letters of assist assigned to 14 field missions performing peacekeeping support. Of the 14 missions, 7 have air operations and/or aviation safety specialists assigned. Representatives of the Secretary-General have indicated to the Committee that owing to budgetary constraints, it would not be realistic to contemplate having an air operations specialist and an aviation safety specialist at each of those missions. An interim plan would be to utilize a regional approach whereby each mission would have an air operations specialist and each region would have at least one individual who would be both an air operations and an aviation safety specialist. The Committee agrees with this regional approach. Such a dual-role specialist would travel to various missions in the region to conduct initial and recurring aircraft inspections for long- and short-term aircraft charters and for long-term arrangements under letters of assist. Visits to be undertaken by Headquarters aviation staff to field missions would include one aviation specialist and one safety specialist. The two specialists would spend two to three days at each mission and assess the mission's aviation programmes. When possible, the visits would be scheduled in conjunction with rotations in order to complete a carrier inspection as well. In addition, recurrent training will be conducted with all mission aviation personnel.

Asset standardization

64. The Advisory Committee notes the standardization of vehicles under systems procurement contracts for 1998-1999 for all peacekeeping missions. The Committee welcomes this development. The Committee sought clarification as to what other elements had been standardized and was informed that communications had also been standardized. In that connection, the Committee notes that savings in some missions (for example, UNMIBH) relate to commercial communications resulting from the acquisition of fewer INMARSAT-M terminals than originally planned and the reduced utilization of commercial communications. The Committee understands that INMARSAT-M terminals are becoming less reliable and economical, and are therefore being replaced by INMARSAT-C terminals and the United Nations VSAT system wherever possible. The Committee trusts that the more expensive INMARSAT terminals will be phased out and the results reflected in future budgets.

Interest income

65. The Advisory Committee points out that the treatment of income is inconsistent in the peacekeeping budgets. In the case of UNDOF and UNIFIL, the income budget line is broken down into staff assessment income and other income, and it has been the usual practice of the General Assembly to return the estimated "other income" to Member States when approving an annual appropriation for those operations. In all other peacekeeping budgets, only the estimated staff assessment income is shown in the budget documents, and the accrued miscellaneous interest and other income is disclosed and returned to Member States or transferred to the peacekeeping reserve fund when the special account is closed. For the purpose of transparency, the Committee recommends that all peacekeeping budgets in the future disclose the estimated "other income" from both staff assessment and other sources.

Notes

[1] *Official Records of the General Assembly, Fifty-second Session, Supplement No. 5*, and corrigendum (A/52/5 and Corr.1) para. 13.

[2] Ibid., para. 16.

[3] Ibid., para. 59.

[4] Ibid., para. 121.

[5] Ibid., para. 147.

[6] Ibid., para. 151.

[7] Ibid., paras. 115 (f) and 117.

[8] Ibid., paras. 139-146.

[9] Ibid., para. 11 (a) (i).

Annex I

Financial performance for the period from 1 July 1996 to 30 June 1997 [a]

(Thousands of United States dollars)

	Original			Revised			(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Mission	(1) Secretary-General's budget	(2) Reduction recommended by Advisory Committee	(3) General Assembly appropriation	(4) Secretary-General's estimate	(5) Reduction recommended by Advisory Committee	(6) General Assembly appropriation	General Assembly appropriation	Absorption of prior year obligations	Absorption for UNLB	Unencumbered balance (over-expenditure)	Original budget overestimate (total of columns (2) (8) (9) (10))	Original over-estimation (per cent) (11) (1)	Revised budget overestimate (total of columns (5) (8) (9) (10))	Revised over-estimation (per cent) (12) (4)
UNFICYP	44 119.2	105.6	44 013.6				44 013.6	724.7	302.0	(602.9)	529.4	1.2		
UNDOF	31 357.9		31 357.9				31 357.9	432.4	221.7	(138.2)	515.9	1.6		
UNIFIL	122 757.0		122 757.0				122 757.0	2 995.2	436.3	(382.2)[d]	3 049.3	2.5		
UNMOT	7 302.5		7 302.5				7 302.5	1.0	51.5	1 507.9	1 560.4	21.4		
UNIKOM	57 804.4[b]		50 745.4				50 745.4	557.9	408.5	4 127.6	5 094.0	8.8		
UNOMIG	17 115.3	439.2	16 676.1				16 676.1	237.9	120.1	1 152.6[c]	1 949.8	11.4		
UNTAES	284 776.5	10 687.9	137 044.3	276 898.3	2 809.7	274 088.6	274 088.6	2 006.6	1 776.0	15 899.4	30 369.9	10.7	22 491.7	8.1
UNMIBH	158 799.6	11 396.6	73 701.5	157 093.0	9 690.0	147 403.0	147 403.0	169.3	925.8	33 031.7	45 523.4	28.7	43 816.8	27.9
UNPREDEP	52 351.5	1 024.0	25 663.8	51 402.6	75.1	50 404.8	50 404.8[c]	140.1	358.2	1 264.4	2 786.7	5.3	1 837.8	3.6
UNSMIH	57 187.4		56 105.0				56 105.0[c]	383.0		9 117.0	9 500.0	16.6		
UNPF	49 389.0	335.0	49 054.0				49 054.0			3 467.2[f]	3 802.2	7.7		
UNMIH	1 469.9	650.2	819.7				819.7	20.0		38.1	708.3	48.2		
UNAMIR	1 958.4		1 958.4				1 958.4			(456.9)	(456.9)	-23.3		
UNOMIL	27 615.1			36 646.7	5 523.5	31 123.2	31 123.2	415.4	194.3	2 556.3	3 166.0	11.5	8 689.5	23.7
UNAVEM III	335 140.0			314 738.0	14 738.0	300 000.0	300 000.0	8 431.0	2 331.5	3 564.3[g]	14 326.8	4.3	29 064.8	9.2
MINURSO	30 638.0		30 638.0				30 638.0	110.6	248.9	2 570.3	2 929.8	9.6		
Total	**1 279 781.7**	**24 638.5**	**647 837.2**				**1 214 447.2**	**16 625.1**	**7 374.8**	**76 716.6**	**125 355.0**	**9.8**		

(Notes on following page)

Notes

[a] Figures are shown in gross amounts and exclude amounts for the support account for peacekeeping operations.

[b] UNIKOM original estimate subsequently revised to $50,745,400.

[c] General Assembly reduced recommended appropriation as a result of Security Council decision to reduce the number of troops.

[d] Does not include the additional requirement of $639,356 related to the incident of Qana to be financed under the terms of General Assembly resolution 51/233 of 13 June 1997.

[e] The Advisory Committee on Administrative and Budgetary Questions has concurred that of this amount, $334,300 is to be used to cover additional expenditures for the period from 13 January to 30 June 1996.

[f] The Advisory Committee on Administrative and Budgetary Questions has concurred that of this amount, $1,199,300 is to be used for completion of liquidation tasks.

[g] Net of the additional requirement of $2,204,300 for troop cost reimbursement that has not been recorded.

Annex II

Estimated gross budgetary requirements proposed by the Secretary-General for each peacekeeping operation for the period from 1 July 1998 to 30 June 1999

(United States dollars)

1. UNFICYP	43 009 000
2. UNDOF	33 643 900
3. UNIFIL	136 719 500
4. MONUA	140 335 000
5. UNIKOM	50 611 300
6. MINURSO	59 672 400
7. MIPONUH	18 850 500
8. UNOMIG	20 743 400
9. UNMOT	22 034 800
10. UNTAES Support Group	7 121 400
11. UNMIBH	190 921 200
12. UNPREDEP	22 314 100
Total	**745 976 500**

Annex III

Unliquidated obligations for the period from 1 July 1996 to 30 June 1997

(United States dollars)

Mission	*As per performance report*[a]	*Percentage of initial apportionment*[a]	*Current status*[b]
UNMOT	1 009 200	14	378 154
UNFICYP	17 762 900	41	3 563 240
UNDOF	15 360 600	49	1 646 420
UNIFIL	61 950 300	50	8 251 003
UNIKOM	17 066 600	34	2 926 200
UNTAES	134 943 300	49	60 268 170
UNOMIG	2 254 800	13	1 045 187
UNSMIH	16 317 600	30	5 396 077
UNLB	1 623 000	22	585 170
UNMIBH	13 472 900	9	6 017 449
UNPREDEP	30 798 900	61	18 395 727
MINURSO	4 194 100	13	1 889 329
MONUA	123 033 200	40	37 783 781
UNOMIL	9 090 400	32	1 878 751
UNAMIR	28 800	1	28 400
UNPF	8 669 600	17	7 126 300
UNMIH	22 000	2	0

[a] A good part of the unliquidated obligations is related to provision for reimbursement to Member States for troop costs, contingent-owned equipment, and the like.

[b] Figures represent the status as at 31 March 1998 for the field and 23 April for Headquarters.

Annex IV

Vacancy rates

For certain missions no vacancy factor was applied, owing to either the low number of posts authorized or, at the time of the preparation of the budget estimates, it was assumed that full deployment could be achieved (UNDOF, UNFICYP and UNMOT). However, it was not foreseen that the security situation in the mission area would deteriorate to the extent that full deployment was not feasible (UNMOT, UNOMIG). No vacancy factor was applied to missions in liquidation (UNPF liquidation and central support and UNSMIH).

Particular attention is also drawn to explanatory footnotes (a) through (d) attached to the summary table.

Vacancy rates at peacekeeping operations for the period from 1 July 1996 to 30 June 1997

Peacekeeping operation	*Vacancy factor applied in the initial budget estimates (per cent)*	*Actual average vacancy rate (per cent)*
UNIFIL		
Professional	5	18
General Service/Field Service	5	13
Local	0	10
UNDOF		
Professional	0	2
General Service/Field Service	0	12
Local	0	-1
UNFICYP		
Professional	0	10
General Service/Field Service	0	2
Local	0	7
UNIKOM		
Professional	5	21
General Service/Field Service	5	12
Local	15	18
UNMOT		
Professional	0	29
General Service/Field Service	0	4
Local	0	4
MINURSO[a]		
International staff	0	9
Local	0	2

Peacekeeping operation	*Vacancy factor applied in the initial budget estimates (per cent)*	*Actual average vacancy rate (per cent)*
UNOMIL[b]		
International staff	0	9
Local	0	11
UNAVEM III		
International staff	0	11
Local	0	13
UNPF liquidation		
Professional	0	4
General Service/Field Service	0	5
Local	0	-2
UNPF central support		
Professional	0	0
General Service/Field Service	0	20
Local	0	2
UNTAES[c]		
Professional	12	20
General Service/Field Service	14	15
Local	2	15
UNMIBH[c]		
Professional	6	27
General Service/Field Service	24	39
Local	7	14
UNPREDEP[c]		
Professional	12	43
General Service/Field Service	14	18
Local	9	15
UNOMIG		
Professional	0	22
General Service/Field Service	0	6
Local	0	4
UNSMIH		
Professional	0	18
General Service/Field Service	0	2
Local	0	3

Peacekeeping operation	*Vacancy factor applied in the initial budget estimates (per cent)*	*Actual average vacancy rate (per cent)*
UNLB[d]		
Professional	0	67
General Service/Field Service	0	-61
Local	0	2

[a] Figures are based on the number of posts contained in the revised budget estimates (A/50/655/Add.2).

[b] The original proposed staffing of UNOMIL was 201 (94 international and 107 local) (A/50/650/Add.1. Because of the fighting that erupted on 6 April 1996, the proposed staffing of UNOMIL was reduced to 90 (43 international and 47 local) (A/50/650/Add.4).

On the basis of a revised concept of operation for UNOMIL, including the expanded operation of the Mission recommended by the Secretary-General contained in his reports to the Security Council of 17 and 22 October 1996 (S/1996/858 and Add.1), the proposed staffing was increased to 757 (97 international and 660 local) (A/51/756/Add.1). The actual average vacancy rate for the period was based on the average number of staff proposed for the 12-month period contained in the report of the Advisory Committee on Administrative and Budgetary Questions of 4 March 1997 (A/51/423/Add.1) against the actual staff on board during the period.

[c] Vacancy rates as forecasted in the initial budget estimates have been calculated on the basis of the phasing-in schedule contained in the budget rather than the authorized staffing.

[d] Owing to the ad hoc financing arrangements for the United Nations Logistics Base at Brindisi during this period, some international posts at the Professional level were encumbered by staff at lower grade levels than budgeted.

Annex V

Excerpts from reports of the Secretary-General and the Advisory Committee on Administrative and Budgetary Questions

A. Report of the Secretary-General (A/44/624)

United Nations peace-keeping operations: draft technical guidelines for voluntary contributions of supplies and services

I. VOLUNTARY CONTRIBUTIONS AS OUTRIGHT GRANTS

A. Nature and purpose

1. United Nations peace-keeping operations have benefited from the voluntary provision of goods and services (also referred to as voluntary contributions in kind) in a number of ways. Some of these voluntary contributions have been offered by Member States or other donors at their own initiative, while others have been made in response to general appeals or specific requests made by the Secretary-General. Some have been of a continuing nature, while others have been non-recurrent offers, frequently made in the context of the initial start-up of a peace-keeping operation. Examples of both types of voluntary contributions in kind that have been made to United Nations peace-keeping operations in the past may be found in annex II.

2. It is important to distinguish between supplies and services provided without any cost to the United Nations by means of voluntary contributions and those which the United Nations acquires from a Member State or other donors at a rate that may be lower than full cost, for example, the provision of aircraft to a mission. For the present report, the element of donation that may be present in the latter type of transaction is excluded from consideration. By the same token, those costs incurred by a troop-contributing country which exceed the amount reimbursed by the United Nations are not considered to be voluntary contributions in kind for the present purposes.

3. Also excluded from consideration as voluntary contributions in kind are the costs of facilities (e.g., office and residential accommodation, office furniture, vehicles or air transportation) agreed to be provided by Member States in whose countries United Nations peace-keeping operations are located. Such contributions are considered as counterpart contributions.

4. In the light of the above, voluntary contributions in kind as outright grants may be defined for the purposes of the present paper as: contributions of goods and services, other than counterpart contributions, offered to and accepted by the Secretary-General, in the context of United Nations peace-keeping operations, in respect of which no compensation or reimbursement is required to be made by the United Nations.

B. Acceptability

5. Offers of voluntary contributions in kind as outright grants may be made by Member States or by other donors.

6. Determination of the acceptability of a voluntary contribution in kind rests with the Secretary-General. The primary criterion in determining the acceptability of an offer will be the suitability of the supplies or services offered for the purposes of the peace-keeping operation in question. The acceptability of the valuation placed upon the contribution may also be a factor in its acceptance.

7. The acceptability of an offered voluntary contribution in kind will be determined by the Under-Secretary-General for Administration and Management, under authority delegated by the Secretary-General. For this purpose, the Under-Secretary-General may be assisted by a secretariat board consisting of representatives of the Offices of the Secretary-General (the Military Adviser, the Office for Special Political Affairs and the Office of Legal Affairs), the Office of Programme Planning, Budget and Finance and the Office of General Services.

8. Financial rule 107.7 provides that voluntary contributions which directly or indirectly involve an immediate or ultimate financial liability for the Organization may be accepted only with the approval of the General Assembly. For this reason, the Secretary-General will endeavour to ensure that all associated costs (e.g. painting of aircraft in United Nations colours, freight costs) are included in the original offer. Should this not prove possible, and if the associated costs have not already been included in the budget, the Secretary-General, prior to accepting the contribution, should seek the approval of the General Assembly or obtain from the donor a supporting cash contribution in an appropriate amount.

9. In determining the acceptability of a proposed voluntary contribution in kind, particular attention shall be paid to United Nations policy relating to standardization of materials and to other administrative considerations, such as compatibility with existing equipment, ease and availability of maintenance, availability of spare parts, provisions related to replacement of defective material etc.

10. In paragraph 5 of section II of General Assembly resolution 43/230 the General Assembly invited the Secretary-General to make adequate and timely information available as to what supplies and services would be required in order to facilitate offers of voluntary contributions. The Secretary-General intends to make such information available once a year on the projected requirements of each mission for standardized items. These listings will describe the types of items that are expected to be required by the Organization and will describe in general terms considerations to be taken into account in acceptance of voluntary contributions in kind. In addition, budget proposals will contain information as to the requirements of the Organization that will be as explicit as is possible under the circumstances. The budget proposals, modified by subsequent recommendations of the Advisory Committee, will provide an additional source of information as to the Organization's requirements.

C. Relationship to the budget

11. Once an offer of a voluntary contribution in kind has been received, the Controller will determine whether it constitutes an item contained in the budget or not. It may be considered to be partially contained in the budget if the offer is for a larger quantity than had been provided or for a different kind of item. Voluntary contributions in kind for items that have not been included in the budget are acceptable, provided they are specified as outright gifts and carry no additional financial implication.

12. If the voluntary contribution relates to an item that is partly or wholly provided for in the budget, it will be necessary to account for the item at a value no greater than its budgeted value. This value, as determined by the Secretary-General, may be greater or less than the value of the contribution. This requirement is explained more fully in paragraphs 14 to 17 below.

D. Basis for valuation

13. The donor may propose a certain value to be attached to the contribution offered. For the United Nations, the basis of valuation for items available on the international market shall be the fair wholesale market value, exclusive of taxes where appropriate. Items already valued for United Nations purposes (e.g. UNICEF or World Food Programme supply items) shall be valued at existing United Nations rates. Items that are not readily available on the international market may be valued at the donor's valuation, based on substantiating information provided in support of the valuation proposed but cannot exceed the budgeted cost. In the event that two or more donors offer similar items the determination as to which offer shall be accepted should be based primarily on the suitability of the respective items, rather than on their valuation. The final decision as to value shall rest with the Secretary-General.

E. Accounting

14. In general, voluntary contributions in kind will be recorded as income and expenditures in the financial statements of the Organization only to the extent that they relate to items for which budgetary provision has been made. Where a voluntary contribution in kind is made as a grant in respect of supplies and services for which no budgetary provision has been made, no accounting entry will be made, but the amount of the contribution will be reflected in a footnote to the financial statements. Both types of voluntary contribution will be reported to the General Assembly.

15. Voluntary contributions in kind made as grants in respect of items included in the budget will be recorded as income under the heading of "voluntary contributions" at the level at which the supplies and services have been budgeted. An equivalent amount will be recorded as expenditure against the appropriate budgetary accounts. The effect of this accounting treatment will be to ensure that no budgetary shortfall or surplus will arise as a result of the acceptance of the

contribution, while also reflecting additional income that may be returned to Member States or be utilized to offset future appropriations.

16. Voluntary contributions in kind that are made as grants in respect of supplies and services for which provision has been made in the budget shall be recorded in the accounts only at the time that delivery of the supplies and services has commenced, following acceptance by the Secretary-General. If the agreement calls for the supplies and services to be donated over more than one financial period, the contribution and the expenditure shall be prorated between the financial periods.

17. Periodic financial statements and reports to the General Assembly shall contain information disclosing the agreed valuation of all contributions in kind, distinguishing between those for which budgetary provision has been made (which appear in the accounts) and those which were made outside the framework of the budget.

18. Where equipment has been donated through a voluntary contribution in kind, it will be subject to standard United Nations provisions for the protection of physical assets, including formal inspection and acceptance upon receipt, insurance, inventory control and the jurisdiction of the Property Survey Board.

II. VOLUNTARY CONTRIBUTIONS IN THE FORM OF ADVANCES

A. Nature and purpose

19. In paragraph 6 of section II of its resolution 43/230, the General Assembly decided that on receipt of the present report it would consider appropriate procedures and guidelines for the treatment of voluntary contributions in the form of supplies and services other than as outright grants.

20. Contributions of this nature may be divided into two main categories. The first category reflects a situation in which supplies and services are rendered to the United Nations on the understanding that the United Nations will, in due course, reimburse the donor in the form of a cash payment. The second category of voluntary contribution as an advance relates to the loan of equipment and supplies, which are intended to be returned to the donor in due course.

21. A contribution falling into the former category can be distinguished from a purchase of supplies and services by the United Nations in one important respect, namely, that a purchase of supplies and services places the United Nations under an immediate obligation to reimburse the supplier at a definite point in time, whereas in the case of an advance, the reimbursement would be made by the Organization only when, in the view of the General Assembly, on the basis of proposals by the Secretary-General and recommendations of the Advisory Committee, its financial situation so permits.

22. A voluntary contribution in the form of a loan of equipment and/or supplies needs to be distinguished from present arrangements in peace-keeping operations

relating to contingent-owned equipment. Under the latter type of arrangement, the United Nations undertakes to reimburse those Member States which provide the equipment, usually troop-contributing countries, with periodic payments over a maximum period of four years. For military pattern equipment, which the Organization would not normally purchase, upon expiration of a mission or withdrawal of the contributing country concerned, a residual value of such equipment is determined and reimbursement adjusted accordingly. With regard to other types of equipment, title is either transferred to the Organization upon completion of the reimbursement or, if agreed between the parties, the equipment is retained by the contributor on the basis of a formula similar to military pattern equipment.

23. It is assumed that a voluntary contribution of supplies and equipment in the form of an advance would equate more closely to a loan. In other words, the United Nations would not be required to pay for usage costs or an allowance for depreciation, but would simply return the supplies and equipment to the lender at the end of the term. Under such an arrangement, it would be necessary to reach agreement on the respective responsibilities of the United Nations and the lender to replace the equipment in the event of loss or damage during the period of the loan.

24. In view of the complexities involved in these types of arrangements, it is anticipated that voluntary contributions in kind in the form of advances would be made only by Member States. If a voluntary contribution is being offered in the form of an advance, this must be stated from the beginning.

B. Acceptability

25. As is the case with voluntary contributions as outright gifts, the determination of the acceptability of contributions as advances rests with the Secretary-General. The provisions of paragraphs 6 to 10 above would be fully applicable to this type of contribution. A further criterion in respect of such contributions is that a request for such supplies and services would originate from the United Nations either because funds were not available to procure them in the usual manner, or because they were not available on the international market, or because they were offered under conditions clearly advantageous to the United Nations.

26. In determining the acceptability of a proposed contribution in kind as an advance, the valuation to be placed on the contribution assumes greater significance. If the contribution in kind is being offered as an advance against eventual payment of cash by the Organization, it shall not be accepted unless the Organization has satisfied itself by all available means, including competitive bidding, that the valuation is not disadvantageous to the United Nations.

27. Where equipment has been loaned or otherwise made available to the Organization, while remaining the property of the donor, the agreement to be signed between the parties will specify the conditions under which the equipment will be enjoyed by the United Nations.

C. Relationship to the budget

28. Contributions as advances against eventual reimbursement in cash by the Organization may be accepted only if the Controller certifies that they relate to items for which provision has been made in the budget.

D. Basis for valuation

29. The provisions of paragraph 13 above shall also apply to contributions being made as advances. If eventual reimbursement in cash is required, competitive bidding may also be required, as indicated in paragraph 26 above.

30. Where voluntary contributions are being made in the form of loans of equipment, the value of the contribution is the difference between the value of the equipment at the commencement of the loan and its value when the equipment is to be returned. This question is discussed further in paragraphs 32 and 33 below.

E. Accounting

31. Contributions in kind intended as advances against eventual reimbursement in cash shall be recorded in the accounts at the time that delivery of the supplies and services is begun. At that time, the value of the contribution shall be shown as an expenditure against the appropriate budgetary account. It will also be shown in the balance sheet as a liability reflecting the amount that shall, in due course, be refunded to the donor. This liability account shall be similar to the suspense accounts established for voluntary contributions in cash under the provisions of General Assembly resolutions 34/9 and 42/233.

32. Accounting for voluntary contributions in the form of a loan of supplies and equipment, to be returned to the lender in due course, requires that valuations be made both at the time the equipment is made available to the United Nations and at the time it is to be returned. The difference between these two valuations reflects the economic value derived by the United Nations during the period of the loan. If the loan is for a short period, after which the Organization is required to make other arrangements to replace the item loaned, the benefit to the United Nations would be much less than would be the case if the equipment were to be available for the bulk of its useful life, with only a residual value reverting to the lender.

33. For accounting purposes, it is intended that only the expected net economic value of the loan to the United Nations should be reflected in the accounts. Thus a loan of equipment for the balance of its useful life should be recorded as income and expenditure at full budgeted valuation, less any agreed scrap value. However, a short-term loan should be recorded as income and expenditure only to the extent of the difference between the budgeted valuation at the time of the loan and the expected valuation at the time it is to be returned.

B. Report of the Advisory Committee on Administrative and Budgetary Questions (A/44/725)

C. Voluntary contributions of supplies and services (A/44/624)

32. As indicated by the Secretary-General (A/44/624, para. 1), his report on this subject was prepared in response to General Assembly resolution 43/230 of 21 December 1988 and presents technical guidelines relating to the treatment and valuation of voluntary contributions in the form of supplies and services as either (a) outright grants (A/44/624, annex I, paras. 1-18) or (b) in the form of advances (ibid., paras. 19-33).

33. With respect to voluntary contributions as outright grants, according to paragraph 4 of annex I, the Secretary-General indicates that these may be defined as contributions of goods and services offered to and accepted by the Secretary-General in respect of which no compensation or reimbursement is required to be made by the United Nations. The Secretary-General has excluded from this category the costs of facilities that Member States in whose countries United Nations peace-keeping operations are located have agreed to provide. The Secretary-General categorizes these as "counterpart contributions". The Advisory Committee agrees that facilities provided by such Member States, such as office and residential accommodation, office furniture, vehicles or air transportation, are not voluntary contributions per se, since there is an implicit obligation on the part of the State where the operation takes place to facilitate its functioning. That being said, such contributions, however, are not "counterpart" contributions, which is a term used in connection with technical co-operation activities.

34. In paragraphs 5 to 10 of his report, the Secretary-General describes the factors involved in assessing the acceptability of a voluntary contribution. The Advisory Committee notes from paragraph 6 that the determination of acceptability of a voluntary contribution rests with the Secretary-General. As indicated in paragraph 8, however, in accordance with financial regulation 107.7 any voluntary contribution that directly or indirectly involves financial liability for the Organization may be accepted only with the approval of the General Assembly.

35. The relationship to the budget of voluntary contributions in kind is discussed in paragraphs 11 and 12 of the report. The Advisory Committee inquired further as to how such contributions would impact on budget performance and under what circumstances such calculations might eventually reduce the total amount assessed on Member States. The Advisory Committee was informed that, in the view of the Secretary-General, voluntary contributions provided to the United Nations for a peace-keeping operation as outright grants, in the context of General Assembly resolution 43/230, should be considered income to be credited to the special account established for the operation and should be taken into account in calculating the total amount to be assessed on Member States. The Advisory Committee was further informed that the application of such credit would be

considered only in terms of future mandate periods of the operation. Contributions would be reported by the Secretary-General to the General Assembly in his report on the financing of the operation and would include a proposal, through the Advisory Committee, as to when and to what extent such voluntary contributions could be deducted from the total amount to be assessed on Member States. According to the Secretary-General, such a proposal would take into account the status of collection of assessed contributions and the legal obligations of the peace-keeping operation.

36. The Advisory Committee was further informed that, in the view of the Secretary-General, reductions of overall assessments as a result of voluntary contributions could only be applied when income from the voluntary contributions exceeded the unpaid assessed contributions for the operation.

37. Moreover, according to the Secretary-General, the extent to which reduction of assessment could be applied against future mandate periods must take into consideration the pattern of payment by Member States of the assessed contributions for the operation, particularly during the first 30 to 60 days after the renewal of the mandate of the operation, as it would be necessary to have a certain level of reserve to meet the day-to-day operating cost pending receipt of the early amounts of assessed contributions from Governments.

38. In paragraphs 14 to 18, the Secretary-General discusses the accounting that will be used for these voluntary contributions. The Secretary-General indicates, inter alia, that (a) where a voluntary contribution in kind is made as a grant in respect of supplies and services and for which there is no budgetary provision, no accounting entry will be made, but the amount of the contribution will be reflected in a footnote to the financial statements; (b) for those items included in the budget, they will be recorded as income under the heading of "voluntary contributions" at the level at which the supplies and services have been budgeted; they will be recorded in the accounts only at the time of delivery of supplies or commencement of services. The Advisory Committee concurs in this proposal.

39. With regard to the question of voluntary contributions in the form of advances (paras. 19-33), the Secretary-General states in paragraph 20 that there are two categories: (a) when supplies and services are provided to the United Nations on the understanding that the Organization will in due course reimburse the donor in the form of a cash payment; and (b) when equipment and supplies are loaned to the United Nations that are to be returned to the donor in due course.

40. In relation to the former case, while such contributions are of great assistance to peace-keeping operations, the Advisory Committee is of the view that the term "voluntary contribution" is a misnomer, since this is an advance pure and simple. As indicated in paragraph 31:

"Contributions in kind intended as advances against eventual reimbursement in cash shall be recorded in the accounts at the time that delivery of the supplies and services is begun. At that time, the value of the contribution shall be shown as an expenditure against the appropriate budgetary account. It will also be shown in the balance sheet as a liability reflecting the amount that shall, in due course, be refunded to the donor".

41. With regard to the second case, the Advisory Committee understands that this is a loan of equipment or services that will be returned when the mission is over. The Advisory Committee takes note of the Secretary-General's statement in paragraph 33 of the report that:

"For accounting purposes, it is intended that only the expected net economic value of the loan to the United Nations should be reflected in the accounts ... A short-term loan should be recorded as income and expenditure only to the extent of the difference between the budgeted valuation at the time of the loan and the expected valuation at the time it is to be returned".

Notes

1/ Official Records of the General Assembly, Forty-fourth Session, Supplement No. 7 (A/44/7).